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IN THE

Supreme Court of the United States

OCTOBER TERM, 1966.

No. 908

BANKERS LIFE AND CASUALTY COMPANY,
A CORPORATION,
Plaintiff-Petitioner,

vs.

GUARANTEE RESERVE LIFE INSURANCE COMPANY OF HAMMOND, A CORPORATION, AND NATIONAL PROTECTIVE LIFE INSURANCE CO., A CORPORATION,
Defendants, Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

WILLIAM T. KIRBY,
DONALD E. CASEY,
Attorneys for Petitioner.

Of Counsel:
HUBACHEK, KELLY, MILLER, RAUCH & KIRBY,
3220 Prudential Plaza,
Chicago, Illinois 60601,
944-2400,

BRUNDAGE & SHORT,
111 West Washington Street,
Chicago, Illinois 60602,
FRanklin 2-1177.

THE GUNTHORP-WARREN PRINTING COMPANY, CHICAGO

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Defendants, Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

The Petitioner prays that a writ of certiorari issue to review the judgments of the United States Court of Appeals for the Sev nth Circuit entered in the above entitled cause on June 17, 1966. Rehearing was denied August 4, 1966.

(a) OPINIONS BELOW.

The District Court for the Northern District of Illinois, Eastern Division, tried the case without a jury and entered its findings in favor of the Petitioner, which are not re-

ported, and are printed in Appendix 106. The Court of Appeals opinion, reversing without remanding, is reported at 365 F. 2d 28. It is printed as an Appendix, bound herewith, and will be referred to by page numbers i, ii, iii, etc.

(b) JURISDICTION.

Final judgment denying rehearing was entered August 4, 1966. On October 17, 1966 this Court granted an extension of time for filing Petition for Certiorari to January 2, 1967. Jurisdiction of this Court is invoked under 28 U. S. C. 1254(1).

(c) QUESTIONS PRESENTED.

1. May a Court of Appeals hold to be "clearly erroneous" an inference by the District Court as trier of the facts when that inference is supported by substantial evidence?

2. May a Court of Appeals substitute its judgment on a crucial fact issue which the district court decided entirely on oral testimony which if accepted supports its findings?

3. May a Court of Appeals substitute its judgment, and reverse without remanding a case involving various issues decided on conflicting evidence which was partly oral, partly written, and involved questions of credibility and impeachment from pre-trial depositions

4. May a Court of Appeals substitute its judgment on questions of local law for that of the District Court, especially where the judgment of the District Court correctly intepreted local law?

(d) STATUTES INVOLVED.

Rule 52(a) Federal Rules of Civil Procedure.

"Effect. In all actions tried upon the facts without a jury or with an advisory jury, the court shall find the facts specially and state separately its conclusions of law thereon, and judgment shall be entered pursuant to Rule 58; and in granting or refusing interlocutory injunctions the court shall similarly set forth the findings of fact and conclusions of law which constitute the grounds of its action. Requests for findings are not necessary for purposes of review. Findings of fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses. The findings of a master, to the extent that the court adopts them, shall be considered as the findings of the court. If an opinion or memorandum of decision is filed, it will be sufficient if the findings of fact and conclusions of law appear therein. Findings of fact and conclusions of law are unnecessary on decisions of motions under Rules 12 or 56 or any other motion except as provided in Rule 41(b). As amended Dec. 27, 1946, eff. March 19, 1948; Jan. 21, 1963, eff. July 1, 1963."

Illinois Revised Statutes, Chapter 38, Sections 404a, 404b, 404c.

404a. Taking possession without consent of owner.] § 179a. Any person having or obtaining access, either with or without the consent of the lawful owner to any list, compilation or other collection of the names of customers or subscribers (not less than one hundred in number) or to any other list, compilation or other collection of names (not less than one hundred in number) in the possession or control of the lawful owner and used in connection with any lawful business or occupation whatsoever, and who, without the consent of such lawful owner shall take possession of any such list, compilation, or other collection, or any part thereof, or shall make or cause to be made, or take possession of a copy or duplication thereof, or of any part

thereof, shall be guilty of a misdemeanor and shall be fined not more than $500.00 or be imprisoned for not more than one year in a county jail or be both fined and imprisoned."

404b. Use without consent of owner.] § 179b. Any person who may have heretofore obtained or may hereafter obtain any such list, compilation or other collection specified in section 179a hereof, or any part thereof, or any copy or duplication of such list, compilation or collection or any part thereof, or the information contained in any such list, compilation, collection or any part thereof, and who, without the consent of the lawful owner of any such list, compilation or collection and with notice or knowledge of his rights, may at any time hereafter, make use of or attempt to make use of any such list, compilation or collection, or any part thereof, or of any copy or duplication of the whole or any part thereof, or of the information contained in any such list, compilation, collection or copy or duplication or any part thereof, for his own benefit or advantage, or that of any person other than said lawful owner, shall be guilty of a misdemeanor and shall be fined not more than $500.00 or be imprisoned for not more than one year in the county jail or be both fined and imprisoned. [Added by act approved June 19, 1925. L. 1925, p. 341.]

404c. Aiding or abetting unlawful use or possession.] § 179c. Any person, who with knowledge or notice of the right of the lawful owner of any such list, compilation or other collection specified in section 179a hereof, shall aid, abet or incite any other person to do any act specified in section 179a or 179b hereof, shall be guilty of a misdemeanor and shall be fined not more than $500.00 or be imprisoned for not more than one year in the county jail, or be both fined and imprisoned. [Added by act approved June 19, 1925. L. 1925, p. 341.]

Illinois Revised Statutes, Chapter 38, Section 207.

207. Embezzlement is larceny.] § 74. Whoever embezzles or fraudulently converts to his own use, or secrets, with intent to embezzle or fraudulently converts to his own use, money, goods or property delivered to him, which may be the subject of larceny, or any part thereof, shall be deemed guilty of larceny.

Illinois Revised Statutes, Chapter 38, Section 496.

496. Restoring stolen goods.] § 243. All property obtained by larceny, robbery or burglary, shall be restored to the owner, and no sale, whether in good faith on the part of the purchase or not, shall divest the owner of his right to such property. Such owner may maintain his action not only against the felon, but against any person in whose possession he may find the same.

Illinois Revised Statutes, Chapter 121½, Section 23.

23. Sale by a person not the owner.] § 23. (1) Subject to the provisions of this act, where goods are sold by a person who is not the owner thereof, and who does not sell them under the authority or with the consent of the owner, the buyer acquires no better title to the goods than the seller had, unless the owner of the goods is by his conduct precluded from denying the seller's authority to sell.

(e) STATEMENT OF THE CASE.

This case sets standards of first impression for the entire direct mail industry. In a non-jury case a District Judge made findings that Petitioner was entitled to recover damages from a competitor who clandestinely secured and used for its own direct mail solicitation the names and addresses of Petitioner's customers. Reversing without remanding, the Court of Appeals rejected the findings, and established for trial courts requirements of proof of all steps in the secret espionage which in practical effect grant an im-

penetrable asylum to users of stolen lists and leave the rightful owners without protection of the courts.

Petitioner is an insurance company the names and addresses of whose 1,500,000 policyholders are routinely made up on I. B. M. cards. Each card is divisible into three parts, and the name and address of the policyholder appears on each of the three parts. (App. 41.)

The names and addresses are carefully guarded, even from its own agents and district managers. (Add. App. 30, 31, Rec. 309, 327.) It costs about $25.00 to secure each policyholder (App. 51, Rec. 319-328) so the names on the cards represented $25.00 x 1,500,000, or $37,500,000 in acquisition costs to Petitioner.

Respondents are insurance companies selling insurance by mail. (App. 80, 82, 83, 84.) They procured one section (the "status card" section) of the I. B. M. cards *made up by petitioner,* took off the names and addresses, and used them for solicitation by mail to get insurance business for themselves. (App. 13-16, 44-45, 80-83, Add. App. 18-19, 22, 24-25.) The "status card" section of the I. B. M. cards they used were bought from a stranger (never identified further) who called himself "John Thompson" and who demanded, and secured, payment in currency for his delivery of the status cards. (App. 18-22, Add. App. 10.) This "John Thompson" described the cards as "a list of names *owned* by Bankers Life and Casualty." (Add. App. 15.)

Petitioner filed a three count complaint charging essentially that respondents wrongfully obtained and used petitioner's cards to solicit business for themselves. (App. 3.)

To show guilty knowledge by the respondents the proof showed, amongst other facts, respondents had knowledge

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Foot note as to appendices: "App." is as filed by appellant below, "Add. App." is attached to Appellee's Brief below. "App. i" is attached to this petition.

the cards were "owned by Bankers" (Add. App. 15, 24-25); they were offered for sale by an "employee" of Bankers (App. 21); the "John Thompson" kept his identity concealed (App. 18); he insisted on cash (App. 20); the principal owner of Respondents knew enough to tell the President of Petitioner "the crook is in your organization" (App. 38); and Seidel (the son-in-law who handled the cash for cards) said he knew that if the cards were Bankers' he should not "touch them with a ten foot pole" (App. 66).

A verdict for petitioner for compensatory and punitive damages for such use was rendered by the District Court (Perry, J.) in a non-jury case.

The Court of Appeals reversed without remanding. The stated sole basis of the reversal was the Court of Appeals held the District Judge made a factual determination which was "clearly erroneous" in inferring that petitioner, which had made up the I. B. M. cards, still had any property right in the cards when "John Thompson" sold these cards which he described as "owned by" petitioner (App. x, xi).

A "Statement of Facts" excerpted from the Court of Appeals opinion would read as follows (App. viii-x):

> "The record discloses that Seidel obtained a number if IBM punch cards which had originally been in Bankers' files . . . There seems to be no question that the cards Seidel obtained were the third-part status cards . . . status cards, after having served their purpose, were [within Bankers] 'forwarded to Maintenance [department of Bankers] to be destroyed.' . . . We are left to speculate whether those acquired by Seidel were abandoned by Bankers and retrieved by an unknown third person, were swept up by Bankers' trash collector and salvaged, or were stolen by an employee of Bankers from its files. . . . the judge found that Seidel wrongfully appropriated property owned by Bankers. The latter inference was improper." (Material in brackets added for clarity.)

We have left out the four places in which the Opinion refers to the status cards as "discarded" (App. iv, ix, x) because there is no testimony they were "discarded". The testimony is, as quoted in the above portion of the Opinion, that they were "forwarded to Maintenance to be destroyed." The uncontradicted testimony of the planned and routine *destruction* within Bankers is *twice* recited in the Opinion (App. vi, x) and credited correctly to "Bart T. Murphy, who was Bankers' director of data processing during the relevant period." Murphy also testified Bankers was careful to limit access to the information on the cards and "If a person is in the area and they do not work there, they are subject to interrogation." (Add. App. 26.)

(f) JURISDICTION BELOW.

Jurisdiction below was based upon 28 U. S. C. 1441(a), upon removal from the Illinois State Court.

(g) REASONS FOR GRANTING THE WRIT.

I. The Court of Appeals Has Departed From the Normal Course of Judicial Proceedings by Its Flagrant Contravention of the Well Established Rule That Findings of Facts in Actions Tried by the Court Shall Not Be Set Aside Unless Clearly Erroneous.

Rule 52(a) of the Federal Rules of Civil Procedure explicitly requires that in all actions tried upon the facts without a jury, the findings of fact "shall not be set aside unless clearly erroneous," and due regard shall be given to the opportunity of the trial court to judge the credibility of the witnesses."

In the case at bar, the action was brought upon theories of conversion of the I. B. M. cards and of conspiracy to

use them. A finding as to whether or not a conversion has occurred is a finding of fact[1] as is a finding as to the existence of a conspiracy[2] and thus neither finding is to be disturbed on appeal unless shown to be clearly erroneous within the meaning of Rule 52(a).

The Courts of Appeals have thought themselves forbidden to substitute their judgment for that of the trial court as to the probative force of the evidence.[3] There must exist "a stronger basis for overthrowing a finding of fact than a mere difference in personal opinion."[4]

This restraint has similarly been observed by this Court in cases involving direct appeals to this Court sitting as an initial Appellate Court performing the same duty in determining the sufficiency of the evidence as a Court of Appeals. *United States* v. *Yellow Cab Co.*, 338 U. S. 338, 339-340 (1949); *U. S.* v. *National Association of Real Estate Boards*, 339 U. S. 485, 496-7 (1950); *U. S.* v. *Oregon State Medical Society*, 343 U. S. 326, 331 (1952).

This Court has placed the utmost reliance on the trial judge as the most fitted trier of the facts. In affirming a finding by the Tax Court that certain transfers of property and money were not gifts under the Internal Revenue Code, which had been reversed by the Court of Appeals, Justice Brennan concluded that a determination of the issue:

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1. *Lamb* v. *Hennies*, 183 F. 2d 852, 855 (8th Cir. 1950); *Plack* v. *Baumer*, 121 F. 2d 676, 678-679 (3rd Cir. 1941).

2. *Milgram* v. *Lowe's, Inc.*, 192 F. 2d 579, 583 (3rd Cir. 1951), Cert. denied, 343 U. S. 929; *Connolly* v. *Gishwiller*, 162 F. 2d 428, 433 (7th Cir. 1947), Cert. denied, 332 U. S. 825.

3. *Williams* v. *Kaag Manufacturers, Inc.*, 338 F. 2d 949, 951 (9th Cir. 1964); *United States* v. *Skolness*, 279 F. 2d 350, 353 (8th Cir. 1960); *Shepherd* v. *Mahannah*, 220 F. 2d 737, 739 (5th Cir. 1959).

4. *Nee* v. *Linwood Securities Co.*, 174 F. 2d 434, 437 (8th Cir. 1949).

> "must be based ultimately on the application of the fact-finding tribunal's experience with the mainsprings of human conduct to the totality of the facts of each case . . . that primary weight in this area must be given to the conclusions of the trier of fact." *Commissioner* v. *Duberstein*, 363 U. S. 279, 289 (1960).

It has been said that on appeal, the appellant challenging fact findings is faced with "an almost insurmountable burden." *International Boxing Club* v. *United States*, 358 U. S. 242, 252 (1950).

The only question for decision in the Court of Appeals is whether there exists in the record an evidentiary basis for the trial court's findings of fact.[5]

In the case at bar the Court of Appeals decision is lengthy, but it turns on a single criticism of the District Judge that one "inference was improper." (App. x.) If reasonable men might draw different *inferences* from facts found by the court, the Appellate Courts (including the 7th) have said they are required to follow the findings made below.[6]

The Seventh Circuit said of a trial judge's findings:

> ". . . but we will not disturb the findings unless they

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5. *Cleo Syrup Corps.* v. *Coca Cola Co.*, 139 F. 2d 416, 417-418 (8th Cir. 1943), Cert. denied, 321 U. S. 781 (1944); *Construction & Gen. Lab. Loc. U. No. 438* v. *Hardy Eng. & Const. Co.*, 354 F. 2d 24, 25 (5th Cir. 1965); *Cedillo* v. *Standard Oil Co. of Texas*, 291 F. 2d 246, 248 (5th Cir. 1961), Cert. denied, 368 U. S. 955; *Harry Alter Co.* v. *Chrysler Corp.*, 285 F. 2d 903, 906 (7th Cir. 1960); *Koehler* v. *Ellison*, 226 F. 2d 682, 685 (7th Cir. 1955).

6. *Federal Security Insurance Co.* v. *Smith*, 259 F. 2d 294, 295 (10th Cir. 1958); *Alster* v. *Alster & Associates, Inc.*, 319 F. 2d 54, 55 (7th Cir. 1963); *Aetna Cas. & Surety Co.* v. *Stover*, 327 F. 2d 288, 290 (8th Cir. 1964); *United States* v. *Springfield Fire & Marine Ins. Co.*, 207 F. 2d 935, 938 (8th Cir. 1954); *First National Bank of Colorado Springs* v. *McGuire*, 184 F. 2d 620, 625 (7th Cir. 1950); *Walker* v. *United States*, 180 F. 2d 217, 219 (7th Cir. 1950); *Central Ry. Signal Co.* v. *Langden*, 194 F. 2d 310, 317-318 (7th Cir. 1952).

> cannot be sustained upon *any rational view* of all the evidence including all reasonable inferences of which the testimony is susceptible . . .'' *Shapiro* v. *Rubens*, 166 F. 2d 659, 666 (7th Cir. 1948) (Emphasis added).

When the Appellate Courts forget this limit on their power to draw contrary inferences, this Court has reminded them of the rule, as in *Walling* v. *General Industries Co.*, 330 U. S. 545, 550 (1947).

The only time an appellate court may review a district court's findings of fact free from any presumptions of their correctness is when they are based solely upon *written* and *documentary* evidence.[7] However, where the credibility of witnesses is involved, and the trial judge has observed and judged their credibility, the scope of review of findings based on their testimony is strictly controlled by the ''clearly erroneous'' standard.[8] Unusual weight has been accorded findings of fact based upon the oral testimony of witnesses. This rule is well stated in *United States* v. *Aluminum Co. of America*, 148 F. 2d 416, 433 (2d Cir. 1945):

> ''However, whatever may be said in favor of reversing a trial judge's findings when he has not seen the witnesses, when he has, and in so far as his findings depend upon whether they spoke the truth, the accepted rule is that they 'must be treated as unassailable.' (cases cited).''

The rule was analyzed in *Orvis* v. *Higgins*, 180 F. 2d 537 (2d Cir. 1950), cert. denied, 340 U. S. 810, at 539-540:

> ''Where a trial judge sits without a jury, the rule varies with the character of the evidence: (a) If he

7. *National Latex Products Co.* v. *Sun Rubber Co.*, 274 F. 2d 224, 247 (6th Cir. 1959), Cert. denied, 362 U. S. 989; *United States* v. *Steelworkers of America*, 271 F. 2d 676 (3rd Cir. 1959), affirmed, 361 U. S. 39 (1959); *Carter Oil Co.* v. *McQuigg*, 112 F. 2d 275, 279 (7th Cir. 1940).

8. *Rosenthal* v. *Hildebrand*, 242 F. 2d 607, 608 (7th Cir. 1957); *Hedger* v. *Reynolds*, 216 F. 2d 202, 203 (2d Cir. 1954); *Noland* v. *Buffalo Insurance Co.*, 181 F. 2d 735, 739 (8th Cir. 1950).

> decides a fact issue on written evidence alone, we are as able as he to determine credibility, and so we may disregard his finding. (b) Where the evidence is partly oral and the balance is written or deals with undisputed facts, then we may ignore the trial judge's finding and substitute our own, (1) if the written evidence or some undisputed fact renders the credibility of the oral testimony extremely doubtful, or (2) if the trial judge's finding must rest exclusively on the written evidence or the undisputed facts, so that his evaluation of credibility has no significance. (c) *But where the evidence supporting his finding as to any fact issue is entirely oral testimony, we may disturb that finding only in the most unusual circumstances.*" (Emphasis added.)

In *Smith* v. *United States*, 287 F. 2d 299 (5th Cir. 1961), it was stated at 301:

> "The burden of upsetting these findings is indeed formidable here since the witnesses were all heard and seen by the Judge in open court and the crucial issues of motive and purpose involved credibility choices of the most elemental nature. *United States* v. *Yellow Cab Co.*, 1949, 338 U. S. 338, 341-42, 70 S. Ct. 177, 94 L. Ed. 150. This required approach eliminates the necessity for any extended review of the evidence."

The rule of *Orvis* v. *Higgins* has come to mean that where the findings of the District Court are contingent upon oral testimony and the candor of witnesses, the reviewing court may disturb such findings only in the rarest of circumstances. As one court has phrased it:

> "There was evidence to the contrary but the trial court evidently credited the testimony of Lewis. Such was its province and we could not disturb its finding in that respect unless the evidence could be said to be *so inherently improbable* as not to be worthy of belief, which it is not. Lewis' testimony was substantial and sustains the finding of the trial court." *Distillers Distributing Corporation* v. *J. C. Millett Co.*, 310 F. 2d 162, 163 (9th Cir. 1962) (emphasis added).

The crucial issues in case at bar turned solely upon oral evidence, including that of MacArthur (whom the court chose to believe) and that of Seidel (whom it chose to disbelieve). This choice the Appellate Court said the District Court "might" make. (App. x.)

Examination of the record will now be made to demonstrate that the findings of fact of the District Court were not "clearly erroneous" under any of the aforementioned rules.

II. There Were Substantial Facts to Support the District Court's Findings.

Judge Swygert for the Court of Appeals defined the basic fact question (App. ix):

> "But the crucial question, unanswered by the evidence, is whether Bankers was in possession of the cards or was entitled to possession of them at the time when Seidel acquired them."

(Seidel is the son-in-law of the principal owner of Respondent corporations. He ran a mailing service, and is the one who actually dealt with the "John Thompson" and handed him the currency.)

Not satisfied with the District Court's findings on this "crucial question" Judge Swygert came to the conclusion there should be reversal without remandment *solely* because:

> ". . . the judge found that Seidel wrongfully appropriated property owned by Bankers. The latter inference was improper." (App. x.)

We shall now show the District Judge did have evidence to support *fully* the inference that the cards were (a) "property owned by Bankers," which (b) "Seidel wrongfully appropriated."

(a) "Property Owned by Bankers."

The Court of Appeals concedes the status cards "had originally been in Bankers' files." (App. ix.) Ownership in Bankers having been shown "the presumption is that title and ownership continue to exist as established until some change or alienation is shown." *Chatauqua Ass'n* v. *Assembly of God,* 16 Ill. 2d 470, 475 (1959). The "John Thompson" told Drey, who told Seidel, the cards were "owned by Bankers." (App. 41-2; Add. App. 15; App. 17-18.) The District Judge was not making an improper inference when he accepted the denigration by "Thompson" of his rights. Mr. Justice Story said that "declarations of the party, while in possession" may be considered to show his rights, and the law, Justice Story said, would not "adjudge him to be in under a *higher* right, or a *larger* estate." (Emphasis added.) *Ricard* v. *Williams,* 7 Wheat 59, 106, 5 L. Ed. 398, 410 (1822). The District Judge, in inferring the cards *continued to be* "property owned by Bankers" had evidence, and legal precedent, of such strength that the Court of Appeals could not with propriety say the Judge's "inference was improper."

The Court of Appeals discusses the testimony of one witness for petitioner (MacArthur) as to whether any cards were missing. (App. vi, ix.) MacArthur's knowledge of which section (of the three) of the cards was missing is beside the point. The Court of Appeals states "there seems to be no question that the cards Seidel obtained were the third-part status cards." (App. ix.) The Court of Appeals also notes that Bart T. Murphy, who directed the data processing for Bankers testified these third-part status cards were, after their initial use, to be *sent to be destroyed* by Bankers' Maintenance Department. (App. vi, x.) Thus clearly Bankers did not intend these cards *with the valuable information of the names and addresses of its 1,500,000*

policy holders would ever leave Bankers' control. Their last place of repose or possession before they turned up with the mysterious "John Thompson" was clearly with Bankers. It is immaterial in which department. They were all *Bankers'*. The cards were "property owned by Bankers"; they were last lawfully in possession of Bankers.

Did Bankers under governing Illinois law lose that right of possession? The District Court applied Illinois law to decide Bankers had not lost its rights.

In this diversity case governed by state law, a reviewing court should accept the trial judge's interpretation of Illinois law unless the conclusion reached below is clearly untenable under local law. *Thompson* v. *Consolidated Gas Utilities Corp.*, 300 U. S. 55, 74 & 75 (1937). *Texarkana* v. *Arkansas Louisiana Gas Co.*, 306 U. S. 188, 198 (1939). *Gardner* v. *New Jersey*, 329 U. S. 565, 575 (1947). *Perfection Oil Company* v. *Saam*, 264 F. 2d 835, 839, 840 (7th Cir. 1959).

Abandonment.

The Court of Appeals felt it was "left to speculate" whether these status cards "were abandoned by Bankers and retrieved by an unknown third person, were swept up by Bankers' trash collector and salvaged . . ." (App. x.) At four *other* places the Court of Appeals is not speculative, but unequivocal: it states the status cards were "discarded." (App. iv, ix, x.)

While abandonment might be a defense (as we shall show, it must be alleged and proven as a defense), the Court of Appeals says as to abandonment it is merely "left to speculate." Speculation hardly *proves* that defense.

As to the four statements in the Opinion that the status cards were "discarded," those statements are either entirely without record support, or at best ambigu-

ously found in hearsay statements of Seidel (App. 21) which were contradicted by Seidel's other testimony. (App. 15, 21.) Seidel the District Court thought untrustworthy, "as he might," the Court of Appeals agreed. (App. x.)

Those who actually knew the handling of the status cards by Bankers testified Bankers followed the entirely normal, and to be expected, precaution of assigning to employees of Bankers' Maintenance Department the task of destroying these status cards once they served their purpose and were replaced by the next payment period status cards. This was a reasonable way for Bankers to protect them; Jaffe himself recommended such destruction to MacArthur. (App. 38.)

It is in the light of the foregoing facts that we discuss whether there was "abandonment" by Bankers of its rights in the status cards.

It is settled in Illinois that property rights are not lost by abandonment unless there is an intentional, proved abandonment. 1 *Illinois Law and Practice,* Abandonment, Sec. 5, p. 4. The evidence does not prove such abandonment; or at least any inference towards abandonment from delivery of status cards to the "Maintenance Department" is contradicted by specific testimony there was a plan of physical destruction but not abandonment to others; and Judge Perry could accept either inference. He refused to infer abandonment.

The defendants offered no evidence to show an abandonment. Evidence introduced by Bankers was to the effect that the cards were forwarded to the Maintenance Department to be destroyed. The Court of Appeals accepts the testimony of an employee of Bankers (Murphy) "that as a general practice status cards, after having served their purpose, were 'forwarded to Maintenance to be destroyed.'" (App. x.)

It is the rule in Illinois that a person relying on abandonment must establish that the property or right has been relinquished with the intention of abandoning it. 1 *Illinois Law and Practice,* Abandonment, Sec. 5, p. 4. Such burden would be upon the defendants in the instant case but they failed to establish this defense. As the Illinois Supreme Court stated in *Burns* v. *Curran,* 275 Ill. 448, 114 N. E. 166 (1916) at 168: "The plaintiff having proved the prima facie title, it was incumbent upon the defendants on a claim of abandonment, to make it appear affirmatively that such title had been abandoned . . ." Abandonment must be shown by the defense by "clear and satisfactory evidence." *Highway Commissioners of Town of Lanesville* v. *Kinahan,* 240 Ill. 593, 88 N. E. 1044, 1046 (1909). The defendants here made no such proof.

To the contrary of the Illinois rule, the absence of proof of abandonment was by the Court of Appeals treated as fatal to *plaintiff,* in the case at bar.

At those four places where the Opinion speaks of the status cards as "discarded" the writer must (to be accurate) be intending its dictionary synonym "broken up."

(The extensive discussion of the *numbers* of status cards in the Opinion (App. iv, v, Fn. 8) would only be material on *damages,* a point never reached.)

Thievery.

The Court of Appeals held one inference might be the status cards "were stolen by an employee of Bankers from its files." (App. x.) If it is thereby conceded that the district judge could make *that inference,* it fully justifies his finding that Bankers retained their rights against the thief, or anyone claiming under him.

It is the general rule that one commits larceny when he seizes property which has not been *intentionally* abandoned (52 CJS, *Larceny,* Sec. 14, p. 812); and a servant who feloniously misappropriates goods or money delivered to him by his master to be kept, used or *disposed of* by him in his capacity as servant is guilty of larceny. (52 CJS, *Larceny,* Sec. 43(b), p. 836.) Thus a shipping clerk who sells his master's goods to another without permission is guilty of larceny. *People* v. *Moore,* 243 Ill. App. 378, 382 (1927).

It is settled in Illinois law that property rights are not lost by thievery. 32 *Illinois Law and Practice,* Sales, Sec. 118, p. 441. Property rights would not be lost to "John Thompson", if he stole the cards; they would not be lost to Seidel if he was the receiver of stolen property. Jaffe, a principal owner of Respondents, told MacArthur he knew (but didn't tell) the "name of [Bankers'] employee who had sold the list to his son-in-law [Seidel]", and this is quoted in the Court of Appeals Opinion. (App. vi.) Judge Perry could well draw the inference "John Thompson" was the Bankers' employee who stole the cards, and that Seidel received them knowing they were stolen by the employee. Not only was the evidence enough to support the required burden of proof in a civil case, it would have satisfied even the standard of proof beyond reasonable doubt in a *criminal* case. A conviction was sustained in *People* v. *Rife,* 382 Ill. 588, 596 (1943), on proof not stronger than here, the court saying:

> "Knowledge that property was stolen is seldom susceptible of direct proof, but may be inferred from all the surrounding facts and circumstances. (*People* v. *Racine,* 362 Ill. 602.) Circumstances which will induce a belief in the mind of a reasonable person that property has been stolen are sufficient proof of such guilty knowledge. (*People* v. *Grove,* 284 Ill. 429.)"

Since the District Court had evidence from which it could infer "John Thompson" stole the cards, and infer Seidel received them knowing them stolen, it is plain the District Court could find that Bankers' original and undoubted property rights had not been lost. Indeed under the then existing Illinois Criminal Code (Chap. 38, Sec. 496) the property which a thief gets must be restored to the owner, and "no sale, whether in good faith on the part of the purchaser or not, shall divest the owner of his right to such property." This applies whether "John Thompson" be thought to have been an employee guilty of embezzlement or an outside thief, for Chap. 38, Sec. 207 makes either offense a larceny, to which Chap. 38, Sec. 496 applies.

All Illinois legal authority supports the District Judge's belief that title would not pass from Bankers to either a thief, or a receiver from a thief. 32 *Illinois Law and Practice,* Sales, Sec. 118, p. 442, makes it plain that Seidel could not get good title from "John Thompson" for the latter: "although in possession, has not title thereto, since mere possession of a chattel, if there is no other evidence of property given by the owner, will not enable the possessor to give a good title, or protect the buyer from the effects of a demand by the real owner . . ."

And the Illinois Statute on Sales, Chap. 121½, Sec. 23, was explicit: "where goods are sold by a person who is not the owner thereof . . . the buyer acquires no better title to the goods than the seller had . . ." So, if "John Thompson" had no title, Seidel got no title, and a conversion was made out under Illinois laws. In *Harris* v. *Lipman,* 212 Ill. App. 499, 501 (1918) it was held that one whose diamond earrings were stolen by a Pullman porter while a passenger on a Pullman sleeper may maintain an action for conversion against a pawnbroker in whose possession the earrings were found after the theft.

Bankers' title was never lost. The inference which

the Court of Appeals says the District Judge *could not make,* that the property was "owned by Bankers" is the only inference which the District Court *could make under Illinois statutes and case law.*

(b) "Seidel Wrongfully Appropriated."

The above is said by the Court of Appeals to be an impermissible inference. (App. x.) Apparently this decision turns upon *solely* the question of possession, i.e., if Seidel did not take the cards from the *possession* of Bankers, he cannot be said to have "appropriated" them.

(We can put to one side whether Seidel "appropriated" them in the sense of putting them under his control and using them. For clearly, at least in that sense, he surely "appropriated" the cards.)

We can rely upon a distinction which the Court of Appeals itself recognizes: Bankers was only "required to establish that it was in possession and control of the cards or *entitled to their possession* at the time of the conversion" (emphasis supplied; App. viii.) In two additional places the Court of Appeals concedes the equal legal validity of either possession *or* the *right* to possession. At App. viii it is stated that recovery under Count One depends on a "present *right* of possession." At App. ix it is stated Bankers must show "it was in possession of the cards or *entitled* to possession of them at the time when Seidel acquired them." (All emphasis added.)

As we have already demonstrated, the proof shows Bankers never gave up their original *rights to possession* against at least thieves or receivers of stolen property. To put it another way, Bankers still had the *right of possession* against Thompson and Seidel which "Thompson" did not cut off by whatever his wiles, and Seidel did not cut off by his payment of $1500.00 in currency.

The evidence unmistakably showed that Bankers owned the status cards and had the right to direct them either down the path of storage or down the path of destruction by Bankers' Maintenance Department. The proof is equally plain that anyone who diverted the cards from the path decided by Bankers was a thief. If we accept that a thief cannot pass good title, it is plain that title never effectively passed *either* from Bankers, or to Seidel, and that Bankers might not have been *in possession,* but was never legally deprived of its *right to possession.*

If the possession of "Thompson" was that of a thief and not superior to the right of possession of Bankers, "Thompson's" possession gives no protection to Seidel who must have known "Thompson" was a thief. At least the District Court could so infer.

Nowhere in the Court of Appeals Opinion is there any evaluation of the question under Illinois law of whether Bankers' right of possession could be defeated by a thief. It clearly could not be so defeated. It can be accepted, as the Court of Appeals holds, that recovery under Count One depends on a "present right of possession." Clearly the District Court believed that Bankers' "right of possession" was not lost by "Thompson's" thieving.

Petitioner accepts, as the Court of Appeals decision says, that Bankers must show "it was in possession and control of the cards or *entitled to their possession* at the time of the conversion." (App. viii; emphasis added.) Thereby the Court of Appeals holds absence of possession is permissible, just so long as Bankers met the alternative test, that it was "entitled to possession." It has been demonstrated on this record that the District Court could clearly hold Bankers was "entitled to possession." By the Court of Appeals' own rule, that makes the finding for Bankers proper on the law.

Espionage has long been recognized as an art of gaining facts by clandestine purchase. In common usage it refers to the use of comparatively small amounts of money by government intelligence agencies to prey upon the human weaknesses of dishonesty and greed to gain great and valuable secrets which belong to another government. The purchaser of the data may often be solicited by the unfaithful servant; it is espionage none the less.

The buying of a competitor's secrets has spread to the private sector, and is producing new legal literature rooted in the jungle of intercorporate rivalry. Cf.:

Some legal aspects of industrial espionage I. Louis Wolk } Practical Lawyer 9:87 (1963)

Master and servant—unfair use of customer lists and knowledge } N. C. L. Rev. 40:145 (1961)

Justifying relief in California customer list litigation } So. Calif. L. Rev. 37:112 (1964)

The case at bar involves mailing lists, which are the life blood of the direct mail industry,[9] ... and which to Bankers were "always an excellent source of business" (App. 51) and served as a substantial part of Bankers' "basic formula for success." (App. 48.). It poses the question of whether one large corporation can protect its property rights in the most *costly* to create and most *closely guarded* list: the list of the corporation's own customers.

In this case of first impression the Court of Appeals has established Federal standards (for surely they are not the Illinois statutory and case standards applied by the District Judge) that will make it impossible to protect any list

9. Direct mail advertising is a business which generates thirty billion dollars a year in sales of goods and services, according to a U. S. Department of Commerce estimate quoted in the New York Times on Oct. 27, 1965.

from a competitor unless the owner can produce direct evidence of each step the list took in its surreptitious path from the original owner to the competitor who purchased with culpable knowledge. Direct evidence in a clandestine area is (as so often said in criminal cases) not required, inferences *must* often suffice. The Court of Appeals has said to the District Judge that since he was not given direct proof,[10] his "inference was improper" that there was a wrongful appropriation; indeed it was so "improper" it was "clearly erroneous" under Rule 52(a).

III. Petitioner Made Out a Plain Right of Action Under Section 404(b) of the Then Existing Illinois Criminal Code.

The Court of Appeals totally ignored the right of action bestowed upon the plaintiff in Sec. (b) of this statute. As contrasted with Sec. (a) of this statute which speaks of lists of customers "in the possession or control of the lawful owner", Sec. (b) provides a cause of action shall lie upon the use "without the consent of the lawful owner" of the lists by anyone who makes such use with notice or knowledge of the owner's rights. Sec. (b) does not mention anything whatsoever about taking away from the "possession or control" of the owner. Petitioner here did show *use* by the defendants (uncontradicted) with notice of the rights of Bankers (Jaffe's admissions, Seidel's testimony). Moreover, the Court of Appeals itself (App. viii-ix) states that Seidel obtained "a number of I. B. M. punch cards

10. Other than the cards were "owned by Bankers" (Add. App. 15, 24-25); they were offered for sale by an "employee" of Bankers (Add. App. 25); the "John Thompson" kept his identity concealed, "was dressed in a non-business like manner" (App. 18); he insisted on cash (App. 20); the principal owner of Respondents knew enough to tell the President of Petitioner "the crook is in your organization" (App. 38); and Seidel knew that if the cards were Bankers' he should not "touch them with a ten foot pole" (App. 66).

which had originally been in Bankers' files," and used them.

The Court of Appeals overlooked this statutory distinction. It imposed a *physical possession* requirement in both the action for conversion and that for "use" prohibited by 404(b).

IV. Petitioner Made Out a Plain Case of Conspiracy.

The only mention in the Opinion of the conspiracy count is in footnote 7 which dismisses it on the basis that there is no evidence to support it, saying the findings of the District Court were erroneously based solely upon Jaffe's "domination" of Seidel and the affairs of Guarantee and National. The Court of Appeals reached its own interpretation of Illinois law and held that "Domination itself is insufficient to show the concerted action and common design essential to a conspiracy." (App. viii, fn. 7.) The District Court had more evidence than mere "domination", for there was extensive proof of long dealings between the respondents, interlocking ownerships, and other proof (App. 16, 27, 29, 33-35) from which it could infer the existence of a conspiracy. The Court of Appeals should not adopt a rule of proof in civil conspiracy in conflict with statements of Illinois courts, and of Federal courts applying Illinois law of conspiracy. *Connolly* v. *Gishwiller,* 162 F. 2d 428, 433 (7th Cir. 1947). *People* v. *Small,* 319 Ill. 437, 150 N. E. 435, 440 (1926): "A conspiracy may generally be inferred from circumstances." *Rohlfing* v. *Cat's Paw Rubber Co.,* 17 FRD 426, 430 (N. D. Ill. 1954); Accord: *National Gas Appliance Corp* v. *Manitowoc Company,* 311 F. 2d 896, 900 (7th Cir. 1962).

CONCLUSION.

While the Court of Appeals has paid lip service to Rule 52(a) by saying that the decision below was "clearly erroneous", it has in fact established a standard of unlimited review. Its conclusions of fact rest on no (or at best very little) evidence; the District Judge had substantial evidence to support his Findings. The Court of Appeals, in disregarding the District Court's opinion on matters of local law, has cited no Illinois cases. There is plain statutory and case law in Illinois which support the District Court.

If the trial judge made "an impermissible inference" that recovery could be had on its findings quoted in footnote 5, then any reversal should have allowed the District Court to reconsider the facts, in the light of the Court of Appeals opinion. The judge below should have been permitted to decide, under more explicit instructions of the Court of Appeals, the fact questions appropriately left to him.

We, of course, do not discuss what the Court of Appeals calls "troublesome questions relating to damages", for those have not yet been decided. However, some of the Opinion (for example footnotes 3, 4, 8 and the text which they supplement) seem pertinent mainly to the damages question which the court said "we do not reach."

The standards of review applied below call for the exercise of the supervisory power of this Court.

Respectfully submitted,

WILLIAM T. KIRBY,
DONALD E. CASEY,
Attorneys for Petitioner.

Of Counsel:
HUBACHEK, KELLY, MILLER, RAUCH & KIRBY,
BRUNDAGE & SHORT,

OPINION.

Bankers Life and Casualty Company, a corporation,
Plaintiff-Appellee,
vs.
Guarantee Reserve Life Insurance Company of Hammond, a corporation, and National Protective Life Insurance Co., a corporation,
Defendants-Appellants.

No. 15368.

UNITED STATES COURT OF APPEALS,
Seventh Circuit.

June 17, 1966.

Rehearing Denied Aug. 4, 1966.

Before KNOCH, CASTLE and SWYGERT, *Circuit Judges.*
SWYGERT, *Circuit Judge.*

Bankers Life and Casualty Company, an Illinois corporation with its principal office in Chicago, brought this diversity action against Guarantee Reserve Life Insurance Company of Hammond and National Protective Life Insurance Company, Indiana corporations with their principal offices in Hammond, Indiana.[1] Both the plaintiff and the defendants are engaged in the sale of accident, health, and life insurance. Bankers' three-count complaint charged essentially that Guarantee and National wrongfully obtained and used a quantity of IBM cards containing the names of Bankers' policyholders. After a trial without a

1. National, organized as a wholly owned subsidiary of Guarantee, was merged into Guarantee in 1964.

jury, the district court entered findings of fact and conclusions of law favorable to Bankers and rendered judgment in its favor on all counts of the complaint. The court assessed $400,000 as compensatory damages and $400,000 as punitive damages. Guarantee and National have appealed, challenging the district court's findings both as to liability and the amount of damages. We have concluded that certain critical findings underlying Bankers' right to recover are clearly erroneous—in substance, that Bankers failed to prove its case.

The evidence introduced at the trial, taken in the light most favorable to Bankers, tended to show the following.

Richard M. Seidel is the son-in-law of Ben Jaffe who, with his family, owned a seventy-three per cent interest in Guarantee. During 1957 and 1958, Seidel held stock in Guarantee and was a trustee of other Guarantee stock owned by the members of his family. In October 1957, Seidel became one of the incorporators, a director, and the secretary of National. He became an officer of Guarantee and an employee of both Guarantee and National in January 1958.

Prior to that time, since 1949, Seidel had also been a mailing list dealer or broker in Chicago. In that capacity in 1957 he scheduled mailing lists for Guarantee, substantially at his own discretion. At that time Seidel also shared an office with Rapid Mailing and Advertising Company which was purchased by Guarantee in the latter part of 1957 and moved to Hammond, Indiana.

At the trial Seidel, called as an adverse witness, testified that early in 1957 he was approached by a man who said his name was John Thompson and who offered approximately 150,000 IBM punch cards for sale. Each card had a name and address stamped on it, together with a series of dates and figures. On some of the cards, the word

"lapsed" was also present. Seidel stated that, after testing the names by sending Guarantee literature to 5,000 of the addresses and receiving a satisfactory percentage response, he purchased the cards for $10 per thousand. He testified that he paid $1,500 for the cards and that Thompson insisted on being paid in cash. Seidel added that although he learned nothing from Thompson at first about the source of the cards other than that they had been used by an insurance company, he ultimately was told that the cards had come from Bankers and that Thompson had purchased them from a scrap dealer who was responsible for sweeping the offices of Bankers.

At this point it should be noted that Alan Drey, the vice president in charge of the Chicago office of a New York concern in the mailing list and direct mailing business, also testified that a man who gave the name of Thompson contacted him sometime around 1957 or 1958 in an effort to rent him "several hundred thousand" IBM-type punch cards with names and addresses on them and which had allegedly been used by an insurance company.

Next, according to Seidel's testimony, he arranged to have the names on the IBM cards typed onto a list by employees of Rapid Mailing, from which list two sets of labels were prepared. He then destroyed the cards. One set of labels was rented to Guarantee during 1957 at $15 per thousand names for solicitation of insurance by mail. The second set of labels was retained at Rapid Mailing and was delivered to Guarantee when Rapid Mailing was purchased and moved to Hammond, Indiana. These labels were used to solicit insurance for National early in 1958.

During 1956 and 1957, Bankers used a three-part IBM card system for the purpose of notice and collection of premiums, rather than the premium history card system traditionally employed by insurance companies. Under

Bankers' system, two parts of the IBM card were sent to the policyholder, one part to be retained by him and the second part, the "premium notice" card,[2] to be returned with his premium check. The third part, known as a "status card," was retained in Bankers' accounts receivable file. The status card did not bear Bankers' name. It contained only premium payment information and the name and address of the policyholder. When a premium was paid and the premium notice card was returned to Bankers, the premium notice card was matched against the accounts receivable file and then filed in a separate room for state examination purposes. A "paid to" date was punched into the status card, the status card was placed in an "active status" file, and the old status card was removed from this file and discarded. Status cards were similarly discarded after a certain grace period upon nonpayment of the premium.

In the early part of 1958, after he had taken charge of direct mail solicitations for Guarantee and National (and while Rapid Mailing was in the process of moving to Hammond), Seidel employed Mailers, Inc. of Chicago to handle the mailing of several million pieces of literature. An employee of Mailers, Inc. testified that Guarantee provided his firm with groups of addressed labels together with matching code numbers to identify the mailings. During January and February 1958, Mailers, Inc. either mailed or labeled and delivered to Guarantee and National approximately 1,500,000 envelopes corresponding with code numbers which included the figure "2729." The invoices covering this work showed that several mailings in varying quantities were actually involved and that the number "2729," common to this group of mailings, occasionally appeared alone but more often appeared with letter pre-

2. Premium notice cards contained the words "premium notice" and "Bankers Life and Casualty Co." in bold type on their face.

fixes and suffixes.[3] The Mailers, Inc. employee testified that the code number "2729" represented a single list and that the letter prefixes and suffixes merely indicated portions of the master list. He stated that he knew this because of his dealings with employees of Guarantee over the years. He admitted on cross-examination, however, that he had no knowledge as to the source of any names or lists of names provided by Guarantee, and that the code number "2729" with its prefixes and suffixes could have represented a miscellaneous series of lists.

Four pieces of mail sent by Mailers, Inc. on behalf of National were introduced into evidence. These solicitations were received by three policyholders of Bankers, who also happened to be either agents or employees of Bankers. The names and addresses on the envelopes contained certain pecularities or minor errors which corresponded precisely with those contained on the records of Bankers and on premium billings sent by Bankers to the same policyholders. Three of these solicitations bore the code number "H2729S" on the application for insurance contained inside the envelopes; the other bore the code number "H2729Y."[4] The similarities in addressing were reported to Bankers. John MacArthur, the president of Bankers, subsequently arranged a meeting with Jaffe and Seidel, held in December 1958.

MacArthur testified that the meeting with Jaffe and Seidel was designed to reach some sort of settlement. He testified that Jaffe told him that he, Jaffe, would have had

3. For example, one invoice showed a mailing of 419,644 under the number "2729," while another invoice showed a mailing of 61,035 under the designation "H2729G," and a third invoice showed a mailing of 50,121 under the designation "H2729T."

4. The Mailers, Inc. invoice under the code number "H2729S" shows a mailing of 50,641 envelopes. No invoice bearing the designation "H2729Y" was introduced.

nothing to do with using the names of Bankers' policyholders if he had been in town or known about it. MacArthur said that Jaffe assured him that "he would assist me by telling me the name of our employee who had sold the list to his son-in-law." He quoted Jaffe as stating, "I don't blame Seidel for not wanting to tell, because you don't rat on people." Negotiations for a settlement broke down, however, and MacArthur testified that in a subsequent conversation with Jaffe, the latter said, "Well, it was your junkman who hauls away your waste paper, he is the fellow my son-in-law bought it from." MacArthur added, "I told him that I was sure that was a cock-in-bull story for the reason that the names, the cards that disappeared, were the cards that we had to store so the insurance examiners could verify our premium income and * * * we had stored them in the room. Somebody had located the missing cards from this room. I told Ben Jaffe that no junk-dealer would have access to the room. * * *"

MacArthur's testimony contained the only reference to missing IBM cards by anyone connected with Bankers. MacArthur himself admitted that he had no firsthand knowledge of any of the details, that all his information had come through his subordinates. Other executives of Bankers testified, but they all disavowed any personal knowledge of missing cards. Bart T. Murphy, who was Bankers' director of data processing during the relevant period, stated that he never found any cards missing. He also testified that that part of the IBM cards no longer needed for maintenance of the company's filing and record system "was forwarded to Maintenance to be destroyed."

Based upon the foregoing evidence, the district court found that Guarantee and National "clandestinely" obtained possession of 1,500,000 cards containing the names and addresses of Bankers' policyholders, which cards were "maintained [by Bankers] * * * to facilitate the send-

ing * * * of renewal notices on its various policies, as well as to maintain a record disclosing whether the policy was in force." The court found that the cards were obtained without Bankers' knowledge or consent and with knowledge that they were owned by Bankers, and that the defndants' conduct was wilful, wanton and malicious.[5]

[1, 2] In order to properly assess the district court's conclusion that Guarantee and National unlawfully misappropriated Bankers' property, it is necessary to recite briefly the claim which the plaintiff asserted. Count one of the complaint was based on an Illinois criminal statute which related to the use of a list or compilation of names obtained from the possession or control of its lawful owner without his consent.[6] Count two charged Guarantee and

5. The relevant portions of the court's findings read:

The defendants and their officers and agents clandestinely obtained possession of 1,500,000 of said cards; used the names and addresses contained thereon for solicitation of insurance for their respective companies and then destroyed said cards, all of which was done without the knowledge and consent of the plaintiff. Said conduct on the part of the defendants, their officers and agents, was done with full knowledge of the ownership by plaintiff, and was wilfull, wanton and malicious with the intent to appropriate for their own use said property of the plaintiff. * * *

[T]he officers and agents of the defendants did conspire with each other and with another person or persons in order to obtain the afore-described cards and the information contained therein for their own use. * * *

Richard Seidel, an officer of each defendant, is a completely unreliable witness and the court cannot believe him; thus there is no dispute or substantial dispute with John MacArthur's testimony, and the court find him to be a credible witness. * * *

Richard Seidel was, at all times alleged in the Complaint, the son-in-law and under the control and domination of Ben Jaffe. * * *

6. Relevant parts of this statute, in effect at the time the complaint was filed but since repealed, read:

> § 179a. Any person having or obtaining access * * * to any list, compilation or other collection of * * * names * * * in the possession or control of the lawful owner and used in connection with any lawful business * * * and who * * * shall take possession of any such list * * * or shall make or cause

National with conversion, and count three charged that they conspired with each other and with persons unknown to obtain the cards bearing the names of Bankers' policyholders.[7] Thus the central allegation was that the defendants wrongfully appropriated and used cards owned by Bankers and to which Bankers had a present right to possession. Bankers' right to recover under the cited Illinois statute, assuming without deciding that the statute created a civil cause of action, was necessarily predicated upon Bankers' ownership and possession of the cards which found their way into Seidel's hands. Similarly, in order to maintain its common law action for conversion, Bankers was required to establish that it was in possession and control of the cards or entitled to their possession at the time of the conversion. Lee Woodworking Co. v. Hub Plating Works, Inc., 217 F.2d 453 (7th Cir. 1954)..

The record discloses that Seidel obtained a number of

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to be made * * * a copy or duplication thereof * * * shall be guilty of a misdemeanor * * *.

§ 179b. Any person who may * * * obtain any such list, compilation or other collection * * * or any copy or duplication of such list * * * or the information contained in any such list * * * and who, without the consent of the lawful owner of any such list * * * and with notice or knowledge of his rights, may * * * make use of or attempt to make use of any such list * * * for his own benefit or advantage, * * * shall be guilty of a misdemeanor * * *.

§ 179c. Any person, who with knowledge or notice of the right of the lawful owner or any such list, compilation or other collection * * * shall aid, abet or incite any other person to do any act specified in section 179a or 179b hereof, shall be guilty of a misdemeanor * * *. [Ill. Laws 1925, pp. 341-342.]

7. The conspiracy count will not be discussed except to note that the record contains no evidence which would support a finding of conspiracy among the officers, directors, and agents of the defendant corporations. The district court's finding of conspiracy appears to have been predicated upon Jaffe's "domination" of Seidel and the affairs of Guarantee National. "Domination" of itself is insufficient to show the concerted action and common design essential to a conspiracy.

IBM punch cards which had originally been in Bankers' files.[8] But the crucial question, unanswered by the evidence, is whether Bankers was in possession of the cards or was entitled to possession of them at the time when Seidel acquired them. Banker failed to establish which cards, if any, were missing or, stated differently, that the cards which Seidel acquired were cards to which Bankers was entitled to possession. Despite MacArthur's equivocal testimony that cards which "we had to store so the insurance examiner would verify our premium notice" (cards with Bankers' name on them) were missing, there seems to be no question that the cards Seidel obtained were the third-part status cards of the type which did not contain Bankers' name and which, after being used to initiate new premium notices, were discarded. MacArthur's testimony about missing cards was admittedly hearsay and

8. If Seidel's testimony is credited, he acquired 150,000 cards. If his testimony is rejected and the testimony of Alan Drey, who suggested that Thompson had offered "several hundred thousand" cards for sale, is disregarded, the conclusion that Seidel came into possession of 1,500,000 cards containing the names of Bankers' policyholders can be reached only through a series of tenuous inferences. [Bankers "proved" the number of its policyholders in 1956 and 1957 by offering the testimony of a vice president who stated that Bankers had "about 1,500,000, in round numbers."] First, the employee of Mailers, Inc. who stated that the code number "2729" represented a single list of names must be credited even though he admittedly had no knowledge of the source of lists provided by Guarantee. Next, the letter prefixes and suffixes must be accepted as merely indicating portions of the same list, even though (1) one invoice (one of two identified by the number "2729" without letter prefixes or suffixes and covering a mailing of 419,644 pieces) affirmatively appeared to contain a complete circularization of all the states; (2) three of the four pieces of mail received by Bankers' policyholders and introduced into evidence bore the notation "H2729S," part of a mailing of 50,641; and (3) the fourth item contained a key number not specifically identified by or related to any invoice of Mailers, Inc. Finally, the eight invoices of Mailers, Inc. introduced by Bankers, representing the processing of approximately 1,500,000 envelopes in varying quantities over a two-month period, must be accepted as identifying 1,500,000 different names, each circularized once.

was not supported by the subordinates upon whom he relied for his information. Bankers' employee in charge of data processing, for example, had no knowledge of missing cards. On the other hand, the same employee testified that as a general practice status cards, after having served their purpose, were "forwarded to Maintenance to be destroyed."

[3] Thus we are left with a void as to the history of the cards in question between the time they were in Bankers' files until they appeared in Seidel's possession, except for Seidel's testimony that he bought them from a man named Thompson. MacArthur's hearsay testimony about "missing" cards, never shown to have been missing by any other evidence, cannot serve as a substitute for proof of the loss and tracing to Seidel of identifiable property to which Bankers had a right to possession. No witnesses were produced to account for the disposition of Bankers' discarded status cards. We are left to speculate whether those acquired by Seidel were abandoned by Bankers and retrieved by an unknown third person, were swept up by Bankers' trash collector and salvaged, or were stolen by an employee of Bankers from its files.

[4, 5] The district judge made what we consider an impermissible inference to supply the missing link in Bankers' chain of evidence. First, the judge concluded, as he might, that Seidel was an unreliable witness who could not be believed and that MacArthur was a credible witness. Then, however, based upon his disbelief of Seidel's story and upon his crediting of MacArthur's testimony, the judge found that Seidel wrongfully appropriated property owned by Bankers. The latter inference was improper. As was suggested, MacArthur's hearsay testimony does not satisfy the lack of affirmative proof, direct or circumstantial, of a wrongful appropriation of Bankers' property. Nor can Bankers' right to recover be based upon the discrediting of

Seidel's testimony, however implausible it may appear. The disbelief of Seidel's testimony cannot support an affirmative finding that the reverse of his testimony is true, that is, it cannot supply a want of proof. Moore v. Chesapeake & O. Ry., 340 U.S. 573, 576, 71 S.Ct. 428, 95 L.Ed. 547 (1951); Eckenrode v. Pennsylvania R. R., 164 F.2d 996, 999 (3d Cir. 1947).

Since we are convinced that the district court's findings essential to liability are clearly erroneous, we do not reach the other troublesome questions relating to damages.

The judgment is reversed.